



American RiskSM

Innovative Risk Transfer Strategies

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Medical stop loss insurance doesn't have to be a boiler plate, off the shelf, cookie cutter product. It needs to be innovative and compelling. Below are two examples how stop loss policies can be structured.

Experience Refund

Retrospective experience refunds allow policyholders to share in underwriting profits.

This option does not require premium loads and includes the following standard characteristics:

- The group must generate estimated annual premium of at least \$200,000.
- Cost Plus / Reference Based Pricing Model
- Winner take all at end of contract period

A defined percentage of net profit is shared as accrued under the Employer Stop Loss policy and within the defined policy period.

The refund will be calculated in two steps:

Step one: Half of the amount will be paid six months after the expiration of the policy period, and

Step two: The second and final payment will be made 18 months following the end of the policy period.

Laser Pool

During the underwriting review process, selected high risk individuals may have a separate specific retention or laser applied to future policy periods.

Standard lasers impact claim liability for the policyholder as illustrated in the following example:

	Claimant A	Claimant B	Claimant C	Total
Laser Liability	\$450,000	\$600,000	\$575,000	\$1,625,000
Incurred Claims	\$500,000	\$800,000	\$650,000	\$1,950,000
Claim Reimbursement	\$50,000	\$200,000	\$75,000	\$325,000

The Laser Pool acknowledges fluctuation between projected and incurred claims and caps overall risk for a group of potentially large claimants.

The Laser Pool enables policyholders to transfer riskier claimants into a single liability fund with the following underlying characteristics:

- Named individuals are included within the pool.
The group retains risk on specified claimants for the entire policy period.
- The laser pool may be exhausted by one or more of the named individuals.
- Reimbursement of eligible claims is made only after the total laser pool is satisfied.

In the following Laser Pool example, combined policyholder liability is equivalent to \$ 1.2 million.

	Claimant A	Claimant B	Claimant C	Total
Laser Pool Liability				1,200,000
Incurred Claims	500,000	800,000	650,000	1,950,000
Accumulation to Pool	500,000	700,000		1,200,000
Claim Reimbursement -		100,000	650,000	750,000

The Laser Pool eases risk associated with multiple high dollar claimants, and empowers the policyholder to budget and plan future healthcare expenditures

Laser Maximum Option

Under this option lasers are limited to no more than 133% of the group specific deductible. Lasers are applied only if individual has reached, or is reasonably expected to reach 75% of the group aggregate deductible.